

and has presented no justification for its proposed nonrecurring rate structure.

In short, TWComm believes that requiring LECs to offer the \$1 sale and repurchase option provides the optimal resolution of the IDE rate structure issue. In the alternative, TWComm requests that the Commission consider the available data regarding the reusability of certain types of equipment for SWBT, and collect the necessary additional information for other types of equipment tariffed by SWBT and for all equipment tariffed by CBT. Specifically, information provided by SWBT during the Texas Investigation indicates that -- at a minimum -- the IDE manufactured by AT&T, Fujitsu, and Alcatel has been used and continues to be used in significant quantities in SWBT's network, making it fully reusable with little additional effort by SWBT. As a result, a recurring rate structure for this equipment should be developed based on the standard depreciable life of other equipment purchased by SWBT in this account code.

While the necessary data on equipment from other manufacturer/vendors is being collected, the Commission should require that the current nonrecurring charge be spread over a minimum of four years.<sup>66</sup> Once this data is available, the rates for additional equipment which is found to be reusable by SWBT or CBT should be changed to a recurring structure. The cost of

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<sup>66</sup> This four year payment term was adopted in a stipulated settlement at the conclusion of the aforementioned Texas Investigation.

equipment which is truly non-standard for the LEC should continue to be recovered over the four year period.<sup>67</sup>

**Issue B.2: Charges for Training**

SWBT claims that it is not reasonable to compare the costs of training technicians on "nonstandard" IDE to the training costs for "standard" equipment.<sup>68</sup> This is so, SWBT argues, because SWBT can "manage standard training costs," and the interconnector drives the nonstandard equipment training process.<sup>69</sup> But SWBT does not show why this difference means that standard training costs should not be used as a guide for nonstandard training costs. In fact, many other LECs agree the latter is a reasonable approach.<sup>70</sup>

**Issue B.3: Clarification of Training Provisions**

In responding to the Commission's request for a list of already-deployed equipment for which training is unnecessary, SWBT again avoids full disclosure. Instead, it includes in its Direct Case a guide to training requirements between SWBT and interconnectors. While this document includes a list of Fujitsu

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<sup>67</sup> As described previously, equipment which is non-standard for the LEC but has proven to be standard for interconnectors (through ongoing requests in the LEC's or other regions) should be changed to a recurring rate structure. This data will not be immediately available, however, and a rate structure based on whether the equipment is in use by the LEC should be adopted in the interim.

<sup>68</sup> See Direct Case of SWBT at 24-25.

<sup>69</sup> Id. at 24.

<sup>70</sup> See Direct Case of CBT at 6; Direct Case of BellSouth at 11; Direct Case of Sprint at 12.

equipment, there is no way for interconnectors to determine what other equipment SWBT has deployed in its network. Only a complete list of the relevant equipment or, at the very least, a comprehensive response to office-specific requests for equipment lists<sup>71</sup> will permit interconnectors to take advantage of the cost savings that outside contractors offer.<sup>72</sup> SWBT has failed to provide either.

Moreover, in addition to full reporting on the equipment currently deployed in the LEC networks, the Commission should also require LECs to disclose all of the equipment for which its technicians are trained. TWComm has experienced first hand the anticompetitive effects of partial disclosure in this regard. Arguing that Fujitsu is the current standard in its network, SWBT has required TWComm to pay to train technicians for AT&T equipment TWComm has chosen as IDE. TWComm has accordingly been billed for a total of \$95,000, of which it has already paid \$76,000.<sup>73</sup>

As mentioned above, however, TWComm learned during its participation in the Texas state proceeding that SWBT's previous network standard was AT&T, and that it still uses some AT&T

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<sup>71</sup> Other LECs have agreed to provide interconnectors with a complete list of the equipment used in their networks even if that information must be obtained on an office-specific basis. See Direct Case of CBT at 6; Direct Case of BellSouth at 11-12; Direct Case of GTE at 17; Direct Case of Bell Atlantic at 10.

<sup>72</sup> The Commission discussed those savings in the Virtual Collocation Order, 9 F.C.C.R. at 5172.

<sup>73</sup> SWBT has charged TWComm \$19,000 per office for five offices. TWComm has paid for four of those offices.

equipment in central offices.<sup>74</sup> SWBT's technicians are therefore already trained for the IDE TWComm has selected and need not be trained again. The Commission should accordingly order SWBT to refund TWComm the \$76,000 it has already paid for this purpose and should prohibit SWBT from charging TWComm for any further training on AT&T equipment. The Commission should also institute a more general requirement that LECs provide interconnectors with a list of all of the equipment *for which their technicians have been trained*.

Finally, CBT's requirement that 36 technicians be trained for each interconnector requesting new equipment<sup>75</sup> is also unjustified. CBT refused to respond to the Commission's request that it specify the minimum number of technicians that must be trained to maintain and repair IDE in each central office. CBT proposes instead to charge interconnectors to train enough technicians to service all CBT offices, regardless of the number of central offices for which the interconnector seeks virtual collocation. The Commission should reject this approach. Interconnectors should not be required to pay to train technicians at offices for which they do not seek collocation.

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<sup>74</sup> See Response of SWBT to Time Warner Communications of Austin, L.P. Motion to Compel at 3.

<sup>75</sup> See CBT Direct Case at 7.

Rather, interconnectors should be charged for training on a per-central office basis.<sup>76</sup>

#### IV. THE TERMS AND CONDITIONS OF VEIS TARIFFS

##### Issue C.1: SWBT's Obligation to Accept Interconnector-Designated Equipment

In the Designation Order, the Commission observed that SWBT's statement in its tariff that an interconnector may only designate equipment "necessary to provide the interconnector's requested functionality or necessary technical compatibility with the interconnector's equipment" may violate the LECs' obligation to offer any equipment reasonably requested by interconnectors.<sup>77</sup> The Commission therefore asked SWBT to explain the criteria it proposed to use in assessing whether equipment meets this standard and to explain why this standard is not inconsistent with the requirement that LECs may prohibit only equipment that "represents a technical threat to the network."<sup>78</sup>

SWBT's response to this request, however, only confirms that it has violated the requirements of VEIS. First, SWBT provides

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<sup>76</sup> The other LECs generally supplied minimum technician numbers on a per-central office basis. See Direct Case of BellSouth at 12 (four technicians required per office); Direct Case of GTE at 18 (six technicians required per office); Direct Case of SWBT at 27 (estimating an average of 5.6 technicians required per office); Direct Case of Sprint at 13 (two technicians required per office); Direct Case of Bell Atlantic at 10 (three technicians required per office). These responses demonstrate how much an interconnector seeking virtual collocation in a limited number of offices will save if it is only charged on a per-central office basis for training costs.

<sup>77</sup> See Designation Order at ¶ 80.

<sup>78</sup> See id. at ¶ 81.

only the vaguest explanation of its standard for accepting IDE. As a result, SWBT's decisions to reject or accept equipment would be essentially unreviewable.

More importantly, SWBT has done nothing to explain why its standard does not violate the Commission's rules. SWBT asserts the right to reject equipment that, *in its judgment*, is not technically necessary. Under this policy, SWBT could reject equipment that in no way constitutes a technical threat to the network. This is a clear violation of the Commission's VEIS rule that the *interconnector* decides which equipment it would like to use and the incumbent may reject that choice only if it represents "a significant and demonstrable technical threat to the LEC network."<sup>79</sup>

**Issue C.2: Use of Outside Contractors for Installation, Maintenance and Repair of Interconnector-Designated Equipment**

In the Virtual Collocation Order, the Commission unequivocally stated that,

LECs that permit outside service representatives to enter their central offices to install, maintain, or repair LEC equipment must permit outside representatives to provide these services for the equipment dedicated to interconnectors' use under virtual collocation.<sup>80</sup>

In its Direct Case, SWBT states that it uses outside contractors to install, maintain and repair equipment. Rather than follow the Commission's rules, however, SWBT states that it will permit

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<sup>79</sup> Id. at ¶ 79.

<sup>80</sup> Virtual Collocation Order at 5171, ¶ 59.

outside contractors for IDE only when *SWBT* decides they are necessary and only when *SWBT* chooses them.<sup>81</sup> As the passage quoted above demonstrates, however, once a LEC permits outside contractors into its offices, interconnectors may use them for any purpose related to the installation, maintenance or repair of collocated equipment.

Thus, *SWBT*'s attempt to limit interconnectors' use of contractors violates the Commission's VEIS rules. It prevents interconnectors from benefitting from the efficiencies of using outside contractors. It also permits *SWBT* to retain almost complete control over the installation and maintenance of IDE.<sup>82</sup>

**Issue C.3: Installation, Maintenance and Repair Levels**

In a further attempt to retain control of the repair and maintenance process, the LECs assert that there is no reason why they should be required to include maintenance and repair intervals in their tariffs.<sup>83</sup> This is simply another attempt to prevent any FCC review of anticompetitive activity. Without published intervals, it will be much more difficult for

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<sup>81</sup> TWComm's arguments on this issue apply equally to GTE and Ameritech, to the extent that they also reserve the right to make such decisions. See Direct Case of GTE at 19-20; Direct Case of Ameritech at 19. Both of these parties admit to using outside contractors.

<sup>82</sup> It should be noted that while *SWBT* states that it will permit interconnectors to add qualifying contractors to its list of vendors, see Direct Case of *SWBT* at 32, *SWBT* apparently reserves the right to refuse ever to permit any such contractor into its premises.

<sup>83</sup> See Direct Case of *SWBT* at 33; Direct Case of CBT at 8; Direct Case of Ameritech at 20; Direct Case of Bell Atlantic at 13; Direct Case of GTE at 22; Direct Case of BellSouth at 14-15.

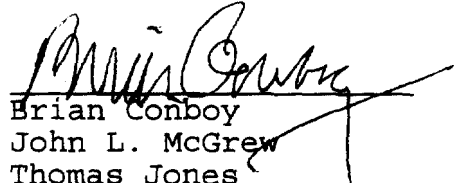
interconnectors to seek redress of discriminatory maintenance and repair service. These LEC arguments should therefore be rejected.

### CONCLUSION

TWComm respectfully urges the Commission to take prompt action to address the deficiencies in the LEC Direct Cases identified by TWComm, and order SWBT and the other affected LECs to revise their VEIS tariffs and practices in the manner described above.

Respectfully submitted,

Time Warner  
Communications Holdings, Inc.

  
Brian Conboy  
John L. McGrew  
Thomas Jones  
WILLKIE FARR & GALLAGHER  
1155 21st Street, N.W.  
Washington, D.C. 20036  
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ECONOMICS CONSULTANT

Don Shephard  
Director of Regional Regulatory  
Affairs  
Time Warner Communications  
Holdings, Inc.  
300 First Stamford Place  
Stamford, CT 06902  
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ITS ATTORNEYS

November 9, 1995



## **APPENDIX A**

Docket No. 12879  
AT&T Communications of the Southwest, Inc.  
Third Request  
Information Request No. 3.3(b)  
Supplement  
06.15.95

3.3(b).

With regard to AT&T's RFI No. 1.6(a), if the costs based on vendor nonproprietary data are higher than SWBT's negotiated equipment costs (regardless of jurisdiction), provide the following:

The mean of the discounts received for such equipment;

Answer: SWBT refers AT&T to its Supplemental Response to AT&T's RFI No. 1.7(a), which notes that differences exist other than the direct difference between proprietary and nonproprietary cost data. In addition, SWBT refers AT&T to its Supplemental Response to AT&T's RFI No. 3.2(c) which provides information recently obtained from SWBT's vendors indicating a single price structure that replaces the proprietary/nonproprietary price structure that was previously available.

However, in an effort to be cooperative and based on the data

Docket No. 12879  
AT&T Communications of the Southwest, Inc.  
Third Request  
Information Request No. 3.3(b)  
Supplement  
Page 2 of 2  
06/15/95

developed for this filing that supports direct comparisons,  
SWBT computes the mean as 31.08%.

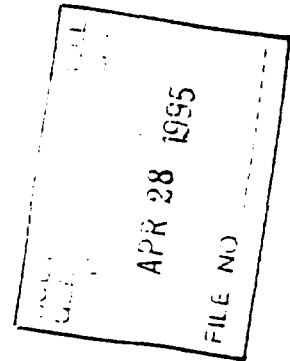
Responsible Person: Mike Auinbauh  
Area Manager-Cost Analysis  
Southwestern Bell Telephone Company  
One Bell Center, 37-H-07  
St. Louis, Missouri 63101

## **APPENDIX B**



"The One to Call On"

April 27, 1995



Sourcing Operations

Mr. Jon Engelson  
NEC America  
1525 West Walnut Hill Lane  
Irving, Texas 75038

Dear Mr. Engelson:

As you know, Southwestern Bell Telephone Company (SWBT) filed its original September 1, 1994 interstate virtual collocation tariff utilizing the equipment prices negotiated between vendors and SWBT as the basis for the tariffed rates submitted in that filing. SWBT continues to make every effort to protect against disclosure of these negotiated prices, although it is very uncertain whether these efforts will be successful.

After the possibility of disclosure became apparent, NEC America provided SWBT with "list" prices that NEC America specified were to be considered non-proprietary. In SWBT's intrastate virtual collocation tariff application filed in Texas, SWBT utilized these prices as the basis for the virtual collocation rates noted in its application.

Subsequent to filing the tariff application in Texas, two interstate collocation requests were completed. The equipment required to provision these requests was billed to SWBT at the negotiated price rather than the "list" price provided for virtual collocation.

The risk of unwanted disclosure of negotiated prices significantly increases if the prices charged SWBT for the equipment provisioned for virtual collocation are not the "list" prices. Absent your instruction to the contrary, SWBT will continue to assume

1010 Pine, 9th Floor  
St. Louis, Missouri 63101

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Mr. Jon Engelson

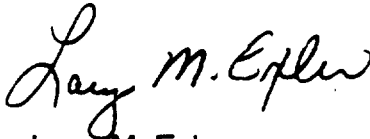
April 27, 1995

Page 2

that you wish negotiated prices to remain confidential and to keep any risk of disclosure to a minimum. Thus, this is to advise you that if you charge SWBT for virtual collocation equipment at a negotiated price, SWBT may be required to disclose that price in pending regulatory proceedings. Given that you provided "list" prices, SWBT presently assumes, and wishes to verify, that those are the prices you intend to charge for virtual collocation equipment.

Please contact the undersigned in writing by May 11 if NEC America intends to charge SWBT negotiated prices or "list" prices for virtual collocation equipment sold to it on a going forward basis.

Sincerely,



Larry M. Exler  
Contract Manager

CC: CAROL BURDINE  
TOM PAJDA  
BOB GRZYMALA

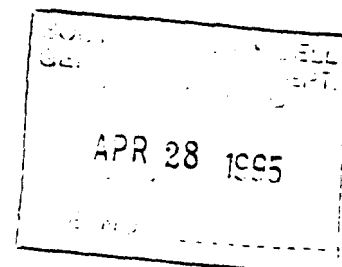
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"The One to Call On"

April 27, 1995



Sourcing Operations

Mr. Ken Wright  
Northern Telecom, Inc.  
701 Emerson  
Suite 333  
St. Louis, Missouri 63141

Dear Mr. Wright:

As you know, Southwestern Bell Telephone Company (SWBT) filed its original September 1, 1994 interstate virtual collocation tariff utilizing the equipment prices negotiated between vendors and SWBT as the basis for the tariffed rates submitted in that filing. SWBT continues to make every effort to protect against disclosure of these negotiated prices, although it is very uncertain whether these efforts will be successful.

After the possibility of disclosure became apparent, Northern Telecom, Inc. provided SWBT with "list" prices that Northern Telecom, Inc. specified were to be considered non-proprietary. In SWBT's intrastate virtual collocation tariff application filed in Texas, SWBT utilized these prices as the basis for the virtual collocation rates noted in its application.

Subsequent to filing the tariff application in Texas, two interstate collocation requests were completed. The equipment required to provision these requests was billed to SWBT at the negotiated price rather than the "list" price provided for virtual collocation.

The risk of unwanted disclosure of negotiated prices significantly increases if the prices charged SWBT for the equipment provisioned for virtual collocation are not the "list" prices. Absent your instruction to the contrary, SWBT will continue to assume

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St. Louis, Missouri 63101

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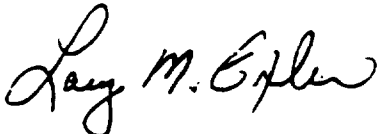
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Mr. Ken Wright  
April 27, 1995  
Page 2

that you wish negotiated prices to remain confidential and to keep any risk of disclosure to a minimum. Thus, this is to advise you that if you charge SWBT for virtual collocation equipment at a negotiated price, SWBT may be required to disclose that price in pending regulatory proceedings. Given that you provided "list" prices, SWBT presently assumes, and wishes to verify, that those are the prices you intend to charge for virtual collocation equipment.

Please contact the undersigned in writing by May 11 if Northern Telecom, Inc. intends to charge SWBT negotiated prices or "list" prices for virtual collocation equipment sold to it on a going forward basis.

Sincerely,



Larry M. Exler  
Contract Manager

CC: CAROL BURDINE  
TOM PAJDA  
BOB GRZYMALA

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**Southwestern Bell Telephone**

**"The One to Call On"**

APR 28 1995

FILE NO. ....

April 27, 1995

Sourcing Operations

Mr. Chuck Holley  
Fujitsu Network Transmission Systems, Inc.  
2801 Telecom Parkway  
Richardson, Texas 75082

Dear Mr. Holley:

As you know, Southwestern Bell Telephone Company (SWBT) filed its original September 1, 1994 interstate virtual collocation tariff utilizing the equipment prices negotiated between vendors and SWBT as the basis for the tariffed rates submitted in that filing. SWBT continues to make every effort to protect against disclosure of these negotiated prices, although it is very uncertain whether these efforts will be successful.

After the possibility of disclosure became apparent, Fujitsu Network Transmission Systems, Inc. provided SWBT with "list" prices that Fujitsu Network Transmission Systems, Inc. specified were to be considered non-proprietary. In SWBT's intrastate virtual collocation tariff application filed in Texas, SWBT utilized these prices as the basis for the virtual collocation rates noted in its application.

Subsequent to filing the tariff application in Texas, two interstate collocation requests were completed. The equipment required to provision these requests was billed to SWBT at the negotiated price rather than the "list" price provided for virtual collocation.

The risk of unwanted disclosure of negotiated prices significantly increases if the prices charged SWBT for the equipment provisioned for virtual collocation are not the "list" prices. Absent your instruction to the contrary, SWBT will continue to assume

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St. Louis, Missouri 63101

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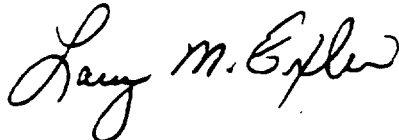
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Mr. Chuck Holley  
April 27, 1995  
Page 2

that you wish negotiated prices to remain confidential and to keep any risk of disclosure to a minimum. Thus, this is to advise you that if you charge SWBT for virtual collocation equipment at a negotiated price, SWBT may be required to disclose that price in pending regulatory proceedings. Given that you provided "list" prices, SWBT presently assumes, and wishes to verify, that those are the prices you intend to charge for virtual collocation equipment.

Please contact the undersigned in writing by May 11 if Fujitsu Network Transmission Systems, Inc. intends to charge SWBT negotiated prices or "list" prices for virtual collocation equipment sold to it on a going forward basis.

Sincerely,



Larry M. Exler  
Contract Manager

CC: CAROL BURDINE  
TOM PAJDA  
BOB GRZYMALA

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"The one to Call On"

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SERIALIZED	FILED
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FBI - MO	

April 27, 1995

Sourcing Operations

Mr. Frank Kostello  
Alcatel Network Systems  
720 Olive Street  
Suite 2200  
St. Louis, Missouri 63101

Dear Mr. Kostello:

As you know, Southwestern Bell Telephone Company (SWBT) filed its original September 1, 1994 interstate virtual collocation tariff utilizing the equipment prices negotiated between vendors and SWBT as the basis for the tariffed rates submitted in that filing. SWBT continues to make every effort to protect against disclosure of these negotiated prices, although it is very uncertain whether these efforts will be successful.

After the possibility of disclosure became apparent, Alcatel Network Systems provided SWBT with "list" prices that Alcatel Network Systems specified were to be considered non-proprietary. In SWBT's intrastate virtual collocation tariff application filed in Texas, SWBT utilized these prices as the basis for the virtual collocation rates noted in its application.

Subsequent to filing the tariff application in Texas, two interstate collocation requests were completed. The equipment required to provision these requests was billed to SWBT at the negotiated price rather than the "list" price provided for virtual collocation.

The risk of unwanted disclosure of negotiated prices significantly increases if the prices charged SWBT for the equipment provisioned for virtual collocation are not the "list" prices. Absent your instruction to the contrary, SWBT will continue to assume

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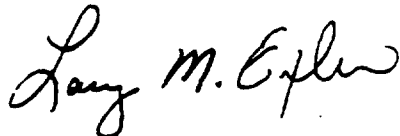
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Mr. Frank Kostello  
April 27, 1995  
Page 2

that you wish negotiated prices to remain confidential and to keep any risk of disclosure to a minimum. Thus, this is to advise you that if you charge SWBT for virtual collocation equipment at a negotiated price, SWBT may be required to disclose that price in pending regulatory proceedings. Given that you provided "list" prices, SWBT presently assumes, and wishes to verify, that those are the prices you intend to charge for virtual collocation equipment.

Please contact the undersigned in writing by May 11 if Alcatel Network Systems intends to charge SWBT negotiated prices or "list" prices for virtual collocation equipment sold to it on a going forward basis.

Sincerely,



Larry M. Exler  
Contract Manager

CC: CAROL BURDINE  
TOM PAJDA  
BOB GRZYMALA

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"The One to Call On"

April 27, 1995

Sourcing Operations

Mr. Roy Clingman  
Reliance Comm/Tec  
2100 Reliance Parkway  
Bedford, Texas 76021

Dear Mr. Clingman:

As you know, Southwestern Bell Telephone Company (SWBT) filed its original September 1, 1994 interstate virtual collocation tariff utilizing the equipment prices negotiated between vendors and SWBT as the basis for the tariffed rates submitted in that filing. SWBT continues to make every effort to protect against disclosure of these negotiated prices, although it is very uncertain whether these efforts will be successful.

After the possibility of disclosure became apparent, Reliance Comm/Tec provided SWBT with "list" prices that Reliance Comm/Tec specified were to be considered non-proprietary. In SWBT's intrastate virtual collocation tariff application filed in Texas, SWBT utilized these prices as the basis for the virtual collocation rates noted in its application.

Subsequent to filing the tariff application in Texas, two interstate collocation requests were completed. The equipment required to provision these requests was billed to SWBT at the negotiated price rather than the "list" price provided for virtual collocation.

The risk of unwanted disclosure of negotiated prices significantly increases if the prices charged SWBT for the equipment provisioned for virtual collocation are not the "list" prices. Absent your instruction to the contrary, SWBT will continue to assume

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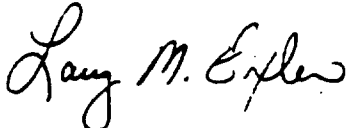
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Mr. Roy Clingman  
April 27, 1995  
Page 2

that you wish negotiated prices to remain confidential and to keep any risk of disclosure to a minimum. Thus, this is to advise you that if you charge SWBT for virtual collocation equipment at a negotiated price, SWBT may be required to disclose that price in pending regulatory proceedings. Given that you provided "list" prices, SWBT presently assumes, and wishes to verify, that those are the prices you intend to charge for virtual collocation equipment.

Please contact the undersigned in writing by May 11 if Reliance Comm/Tec intends to charge SWBT negotiated prices or "list" prices for virtual collocation equipment sold to it on a going forward basis.

Sincerely,



Larry M. Exler  
Contract Manager

CC: CAROL BURDINE  
TOM PAJDA  
BOB GRZYMALA

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"The One to Call On"

DATE	APR 28 1995
FILE NO.	_____

April 27, 1995

Sourcing Operations

Mr. Don Gutzmer  
Tellabs, Operations, Inc.  
4951 Indiana Avenue  
Lisle, Illinois 60532

Dear Mr. Gutzmer:

As you know, Southwestern Bell Telephone Company (SWBT) filed its original September 1, 1994 interstate virtual collocation tariff utilizing the equipment prices negotiated between vendors and SWBT as the basis for the tariffed rates submitted in that filing. SWBT continues to make every effort to protect against disclosure of these negotiated prices, although it is very uncertain whether these efforts will be successful.

After the possibility of disclosure became apparent, Tellabs, Operations, Inc. provided SWBT with "list" prices that Tellabs, Operations, Inc. specified were to be considered non-proprietary. In SWBT's intrastate virtual collocation tariff application filed in Texas, SWBT utilized these prices as the basis for the virtual collocation rates noted in its application.

Subsequent to filing the tariff application in Texas, two interstate collocation requests were completed. The equipment required to provision these requests was billed to SWBT at the negotiated price rather than the "list" price provided for virtual collocation.

The risk of unwanted disclosure of negotiated prices significantly increases if the prices charged SWBT for the equipment provisioned for virtual collocation are not the "list" prices. Absent your instruction to the contrary, SWBT will continue to assume

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St. Louis, Missouri 63101

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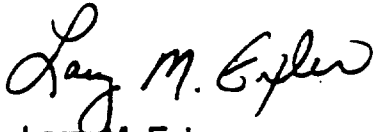
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Mr. Don Gutzmer  
April 27, 1995  
Page 2

that you wish negotiated prices to remain confidential and to keep any risk of disclosure to a minimum. Thus, this is to advise you that if you charge SWBT for virtual collocation equipment at a negotiated price, SWBT may be required to disclose that price in pending regulatory proceedings. Given that you provided "list" prices, SWBT presently assumes, and wishes to verify, that those are the prices you intend to charge for virtual collocation equipment.

Please contact the undersigned in writing by May 11 if Tellabs, Operations, Inc. intends to charge SWBT negotiated prices or "list" prices for virtual collocation equipment sold to it on a going forward basis.

Sincerely,



Larry M. Exler  
Contract Manager

CC: CAROL BURDINE  
TOM PAJDA  
BOB GRZYMALA

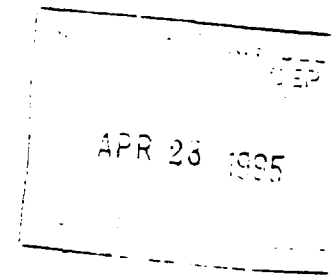
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"The One to-Call On"



April 27, 1995

Sourcing Operations

Mr. Gary Bay  
AT&T Network Systems  
1111 Woods Mill Road  
Dept. NK6013300  
Ballwin, Missouri 63011

Dear Mr. Bay:

As you know, Southwestern Bell Telephone Company (SWBT) filed its original September 1, 1994 interstate virtual collocation tariff utilizing the equipment prices negotiated between vendors and SWBT as the basis for the tariffed rates submitted in that filing. SWBT continues to make every effort to protect against disclosure of these negotiated prices, although it is very uncertain whether these efforts will be successful.

After the possibility of disclosure became apparent, AT&T Network Systems provided SWBT with "list" prices that AT&T Network Systems specified were to be considered non-proprietary. In SWBT's intrastate virtual collocation tariff application filed in Texas, SWBT utilized these prices as the basis for the virtual collocation rates noted in its application.

Subsequent to filing the tariff application in Texas, two interstate collocation requests were completed. The equipment required to provision these requests was billed to SWBT at the negotiated price rather than the "list" price provided for virtual collocation.

The risk of unwanted disclosure of negotiated prices significantly increases if the prices charged SWBT for the equipment provisioned for virtual collocation are not the "list" prices. Absent your instruction to the contrary, SWBT will continue to assume

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**RESTRICTED-PROPRIETARY INFORMATION**

The information contained herein is for use by authorized employees of southwestern bell telephone company only and is not for general distribution within the company.